

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: November 13, 2012
Request for Final Resolution and
Assistance from the Small Business Assistance Fund and
Request for Tax-Exempt Bond Allocation Approval

Prepared by: *Deanna Hamelin*

Applicant:	NASA Services, Inc. and/or its Affiliates	Amount Requested:	\$6,584,000
Project Location:	Cities of Montebello and Pico Rivera (Los Angeles County)	Application No.:	858 (SB)
		Final Resolution No.:	528
		Prior Actions:	IR Approved 5/15/12 IR Amendment Approved 9/18/12

Summary. NASA Services, Inc. and/or its Affiliates (the “Company”) requests approval of a Final Resolution and Volume Cap allocation for a private placement revenue note (“Note”) in an amount not to exceed \$6,584,000 and a Small Business Assistance Fund Resolution authorizing the payment of certain costs of issuance not to exceed \$171,984 to finance the acquisition of waste collection equipment such as containers, bins, carts, tubs, and CNG powered collection and service vehicles to provide residential and commercial waste collection and recycling services to the City of Pico Rivera (Los Angeles County) pursuant to a contract approved by its City Council.

Borrower. NASA Services, Inc. is a family owned and operated company which was incorporated in California in 2006. The Company provides waste disposal and recycling services to residential, commercial, and industrial customers throughout southern California.

The principal stockholders of the Company are as follows:

Arsen Sarkisian	41%
Nick Sarkisian	41%
Sam Sarkisian	9%
Elizabeth Sarkisian	9%
Total:	<u>100%</u>

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

TEFRA. The TEFRA hearing was held on November 8, 2012. There were no comments received in support of or in opposition to this Project.

Fees. The Company paid an application fee of \$5,000 and will pay an administrative fee of \$8,168 upon closing.

SBAF Assistance. The Company is a small business eligible for assistance from the SBAF in an amount not to exceed \$171,984.

Prior Financings. There are no prior financings for the Company.

Project Description. The Company was awarded a contract by the City of Pico Rivera to provide waste disposal and recycling services to its business and residential customers. Note proceeds will be used for the acquisition of waste collection equipment such as containers, bins, carts, tubs, and CNG powered collection and service vehicles to provide residential and commercial waste collection and recycling services to the City of Pico Rivera (Los Angeles County) pursuant to a contract approved by its City Council. The equipment will also be utilized by existing customers in the City of Montebello.

The anticipated Project and issuance costs are listed below:

	To be paid from note proceeds	To be paid from all other sources
Acquisition and Installation of New Equipment	\$6,584,000	
Costs of Issuance	0	\$169,000
Loan Fee	0	65,900
Loan Prepayment Fee	0	78,000
Total Note Amount	<u>\$6,584,000</u>	<u>\$312,900</u>

Note: The Project costs reported in the Borrower's application and shown here in staff's report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various documents, that all assets purchased with note proceeds will qualify for tax exempt financing, that they will be used to complete the Project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.

Anticipated Timeline. Most of the equipment such as vehicles, bins, and carts has been purchased and Note proceeds are being used to reimburse the Company for the expenses or repay debt that was incurred to fund the acquisition of these assets. The remaining Note proceeds will be used to purchase vehicles approximately 12 months after closing.

Local Government. The Company received a letter of support for the project from Mr. Ronald Bates, City Manager of the City of Pico Rivera (See Attachment A).

Pollution Control and/or Environmental Benefits. The Company represents the Project will generate the pollution control and environmental benefits described below.

Air Quality. The waste and recyclable materials deposited in the bins, tubs and carts will be collected by CNG-powered vehicles that minimize air pollution.

Recycling of Commodities. Pursuant to the new contract with the City of Pico Rivera the rate of diversion of recyclable materials from the waste stream will be increased when compared to previous rates.

Safe Disposal of Solid Waste. The services being provided pursuant to the contract with the City of Pico Rivera stipulates that operations are conducted in a manner consistent with all applicable state and federal environmental regulations.

Permitting and Environmental Approvals.

The Company intends to comply with the California Air Resources Board's (CARB's) Collection Vehicle standards and requirements. This financing is for equipment only and therefore no additional permitting is required.

Financing Details. The Company anticipates a private placement financing structure with First California Bank, which is a Qualified Institutional Buyer (QIBs as defined in SEC Rule 144 under the Securities Act of 1933). The Authority will issue a revenue note ("Note") in a single denomination of \$6,584,000 for a term of 8 years. First California Bank will be the lender, private placement purchaser, and escrow agent. The Authority will enter into a loan agreement, note purchase agreement, and escrow agreement with First California Bank and the Company. The Note will be secured by the assets acquired by the Company from the proceeds of the Note. The Company will be subject to certain financial covenants. The Note will be subject to certain transfer restrictions. The target date for financing is November 30, 2012.

Financing Team.

Private Placement Purchaser: First California Bank
Escrow Agent: First California Bank
Bond Counsel: Kutak Rock LLP
Financial Consultant: Growth Capital Associates, Inc.
Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Final Resolution No. 528 and Volume Cap Allocation Resolution No. 09-136-09 for an amount not to exceed \$6,584,000, and a SBAF Resolution in an amount not to exceed \$171,984 for NASA Services, Inc. and/or its Affiliates.



Ronald Bates, Ph. D.
City Manager

City of Pico Rivera
OFFICE OF THE CITY MANAGER

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(562) 801-4379

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City Council

Bob J. Archuleta
Mayor

Gustavo V. Camacho
Mayor Pro Tem

David W. Armenta
Councilmember

Gregory Salcido
Councilmember

Brent A. Tercero
Councilmember

October 29, 2012

Michael Paparian
Executive Director
California Pollution Control Financing Authority
915 Capitol Mall, Room 457
Sacramento, CA 95814

Dear Mr. Paparian:

This letter is written in support of NASA Services Inc. (NASA) environmental project, the approval of which will be before the California Pollution Control Financing Authority (CPCFA) meeting in November.

My staff and I have worked with the management of NASA for the past 9 months in their development and execution of an exclusive franchise refuse collection agreement with the City of Pico Rivera. I am aware of their proposed expansion project and their need for final financing approval. I understand that to receive approval for the issuance of tax exempt bonds, on whose lower interest rates the "project" economics has been based, the CPCFA must grant part of the State's allocation for "private activity" bonds to the Project.

While I can imagine that your job in allocating the available funding among competing and equally benefitting projects is difficult, I want to let you know that to the City of Pico Rivera, this project is important. It is a project which is part of, and crucial to the overall plan for compliance with AB939.

On behalf of the City of Pico Rivera, I would urge your approval of NASA's funding request at your meeting in November.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ronald Bates".

Ronald Bates, Ph.D.
City Manager

RB:RC:sp

**FINAL RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO THE FINANCING OF SOLID WASTE DISPOSAL
EQUIPMENT FOR THE BENEFIT OF NASA SERVICES, INC.
AND/OR AFFILIATES**

November 13, 2012

WHEREAS, the California Pollution Control Financing Authority (“Authority”), has received the application of NASA Services, Inc., a California corporation (or any successor thereto, the “Borrower”), requesting financial assistance in an aggregate principal amount not to exceed \$15,900,000 to finance the acquisition of (a) land and facilities, (b) equipment, rolling stock, vehicles and other equipment functionally related thereto and (c) drop boxes, bins, carts and containers to be located with customers, all for the collection, processing, transfer and recycling of solid waste, and has declared its intent to issue a revenue note to provide such financial assistance; and

WHEREAS, the Borrower has now requested that the Authority issue its revenue note in an amount not to exceed \$6,584,000 to assist in financing the acquisition of (a) equipment, rolling stock, vehicles (including upgrades to vehicles) and other equipment to be stored at the real property located at 1701 Gage Road, 1020 South Greenwood, 846 Truck Way, and 1100 and 1112 South Maple Avenue, Montebello, California 90640 (collectively, the “Property”), and (b) drop boxes, bins, carts and containers to be located at the Property and/or with customers, all of which will be used for the collection, processing, transfer and recycling of solid waste and functionally related to the solid waste and recycling facilities located at 13130 Crossroads Parkway, City of Industry, California 91746 (collectively, the “Project”); and

WHEREAS, the proceeds of such revenue note will be loaned to the Borrower under a loan agreement among First California Bank (the “Bank”), the Authority and the Borrower; and

WHEREAS, the Borrower has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division; and

WHEREAS, final approval of the terms of such revenue note and certain documents relating to such revenue note is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Project constitutes a “project” and the Borrower is a “participating party” within the meaning of the California Pollution Control Financing Authority Act.

Section 2. Pursuant to the Act, a revenue obligation of the Authority, designated as the “California Pollution Control Financing Authority Solid Waste Disposal Revenue Note (NASA Services, Inc. Project) Series 2012” (the “Note”), or such alternate designation as may be approved by the Executive Director, or Deputy Executive Director, of the Authority, in an aggregate principal amount not to exceed \$6,584,000, is hereby authorized to be issued.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Note to the Bank at any time prior to December 31, 2012, by negotiated sale, at such price and at such interest rate or rates as he may determine.

Section 4. The following documents:

(a) a loan agreement relating to the Note (the “Loan Agreement”), among the Authority, the Borrower and the Bank, as lender,

(b) an assignment agreement (the “Assignment Agreement”), between the Authority and the Bank;

~~(b)~~(c) an escrow agreement (the “Escrow Agreement”), among the Authority, the Borrower, the Bank, as lender, and escrow agent, and

~~(e)~~(d) a Note Purchase Contract (the “Purchase Contract”), among the Bank, as lender and purchaser, the Treasurer, the Authority, and the Borrower,

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein in substantial conformance with the Term Sheet as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof.

Section 5. The Authority understands and agrees that pursuant to the terms of the Loan Agreement, the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an Affiliate of the Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower means any person or entity which meets the definition of “Participating Party” in the Act and controls, is controlled by, or is under common control with, the Borrower, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 6. The date, maturity date, interest rate, interest payment date, form, terms of redemption and other terms of the Note shall be as provided in the Loan Agreement, as finally executed.

Section 7. The Authority hereby dedicates and confirms its allocation to the Note of a portion of the 2009 State Ceiling on Qualified Private Activity Bonds transferred to the

Agenda Item 4.C.2.

Authority by the California Debt Limit Allocation Committee, in an amount up to the applicable principal amount of the Note issued and delivered to finance certain costs of the Project and to pay certain costs of issuance of the Note, so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Note.

Section 8. Each officer of the Authority, acting alone, is hereby authorized and directed, acting alone, to do any and all ministerial acts that the officer may deem necessary or advisable in order to consummate the issuance, sale or delivery of the Note, and otherwise to effectuate the purposes of this Resolution, the Loan Agreement, [the Assignment Agreement](#), the Escrow Agreement and the Purchase Contract. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation, any certifications, including, a tax certificate.

Section 9. The provisions of the resolution of the Authority entitled “Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings” adopted by the Authority on January 17, 2012, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

Section 10. This resolution shall take effect immediately on its passage. The adoption by the Authority of this final resolution shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

TERM SHEET

Issue: \$6,584,000
California Pollution Control Financing Authority
Solid Waste Disposal Revenue Note
(NASA Services, Inc. Project) Series 2012

Borrower: NASA Services, Inc., a California corporation

User: NASA Services, Inc., a California corporation

Use of Proceeds: Proceeds of the Borrower Loan will be used to finance the acquisition of (a) equipment, rolling stock, vehicles (including upgrades to vehicles) and other equipment to be stored at real property located at 1701 Gage Road, 1020 South Greenwood, 846 Truck Way, and 1100 and 1112 South Maple Avenue, Montebello, California 90640 (collectively, the “Property”), and (b) drop boxes, bins, carts and containers to be located at the Property and/or with customers within the City of Pico Rivera, all of which will be used for the collection, processing, transfer and recycling of solid waste and functionally related to the solid waste and recycling facilities located at 13130 Crossroads Parkway, City of Industry, California 91746 (collectively, the “Project”).

Lender: First California Bank

Escrow Agent: First California Bank

Contact: Concetta Samarius
First California Bank
505 North Brand Boulevard, Suite 110
Glendale, California 91203
Telephone: (818) 670-7685
Facsimile: (818) 244-2863

AMT: No

Denomination: Single Denomination of \$6,584,000

Maturity Schedule: 8 year term, with monthly amortization

Interest Rate: The interest rate with respect to the Borrower Loan shall be determined by the Lender and the Borrower prior to the issuance of the Note

Prepayments: The Borrower Loan is subject to mandatory and optional prepayment pursuant to the terms of the Loan Agreement.

Maximum Interest Rate: 12%

Agenda Item 4.C.2.

Type of Sale: Private Placement

Financing Team: Bond Counsel: Kutak Rock LLP
Bank Counsel: Procopio, Cory Hargreaves & Savitch, LLP
Borrower Counsel Law Offices of Shahen Hairapetian, Esq.

Anticipated
Bond Rating: Unrated

Tax-Exemption: The interest component of the Note is excludable from gross income for federal income tax purposes, is exempt from State of California personal income taxes.

Security: The obligation of the Authority to repay the Note is a special, limited obligation of the Authority payable solely from payments made by the Borrower pursuant to the Borrower Note. Repayment of the Borrower Loan is secured by a lien on the assets financed with the proceeds of the Note.

**RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO ASSISTANCE FROM THE SMALL BUSINESS ASSISTANCE FUND
FOR NASA SERVICES, INC.**

November 13, 2012

WHEREAS, the California Pollution Control Financing Authority (“Authority”), has heretofore approved the application of NASA Services, Inc. (or any successor thereto, the “Borrower”), in an aggregate principal amount not to exceed \$6,584,000 to (1) finance the acquisition of (a) equipment, rolling stock, vehicles (including upgrades to vehicles) and other equipment to be stored at the real property located at 1701 Gage Road, 1020 South Greenwood, 846 Truck Way, and 1100 and 1112 South Maple Avenue, Montebello, California 90640 (collectively, the “Property”), and (b) drop boxes, bins, carts and containers to be located at the Property and/or with customers, all of which will be used for the collection, processing, transfer and recycling of solid waste and functionally related to the solid waste and recycling facilities located at 13130 Crossroads Parkway, City of Industry, California 91746, and (2) pay certain costs of issuance in connection with the financing (collectively, the “Project”); and has authorized the issuance of a revenue note to provide such financial assistance; and

WHEREAS, the Authority has established the Small Business Assistance Fund (the “Fund”) to assist small businesses to obtain pollution control financing through the issuance of tax-exempt revenue bonds or notes (the “Note”); and

WHEREAS, the Authority has received and accepted an application from the Borrower for assistance from the Fund; and

WHEREAS, the Borrower has demonstrated a financial capability to make loan payments to the satisfaction of First California Bank (the “Bank”), as the purchaser of the Note; and

WHEREAS, the authorization of assistance from the Fund is now sought.

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Borrower is a “Small Business” as classified pursuant to Title 13 Code of Federal Regulations, Part 121, Subpart A or has 500 employees or less, and is otherwise eligible for assistance from the Fund.

Section 2. The Project constitutes a “project” within the meaning of the California Pollution Control Financing Authority Act.

Section 3. The Authority hereby authorizes and approves up to \$171,984 of assistance from the Fund to the Borrower to be used for payment of certain costs of issuance of the Note,

Agenda Item 4.C.2.

including certain commitment fees owed to the Bank. The actual amount of assistance shall be determined by the Executive Director or the Deputy Executive Director of the Authority, in his or her discretion, based upon the final terms of the sale of the Note.

Section 4. The Executive Director or the Deputy Executive Director of the Authority is hereby authorized and directed, jointly and severally, to do any and all ministerial acts and to execute and deliver a contract for financial assistance with the Borrower in conformance with the terms of this resolution, which he or she may deem necessary or advisable in order to provide the assistance from the Fund and otherwise to effect the purposes of this resolution.

Section 5. This resolution shall take effect immediately upon adoption hereof. The adoption by the Authority of this resolution for the Borrower shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

RESOLUTION NO. 09-136-09

**A RESOLUTION DEDICATING FOR USE OF A PORTION OF THE 2009 STATE
CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR AN
EXEMPT FACILITY PROJECT**

WHEREAS, the California Pollution Control Financing Authority (“CPCFA”) has received an application (“Application”) from NASA Services, Inc. (“Project Sponsor”) for approval of the issuance of a revenue note; and

WHEREAS, on November 13, 2012, CPCFA approved Final Resolution No. 528 (“Final Resolution”) authorizing the issuance of up to \$6,584,000 of its solid waste disposal revenue note (NASA Services Inc. Project) Series 2012 (“Note”); and

WHEREAS, in seeking CPCFA approval of the Final Resolution, the Project Sponsor represented certain facts and information concerning the project to CPCFA which were relied upon by CPCFA in approving the Final Resolution; and

WHEREAS, the California Debt Limit Allocation Committee (“CDLAC”) has previously transferred to CPCFA a portion of the 2009 State Ceiling on Qualified Private Activity Bonds pursuant to Section 146 of the Internal Revenue Code of 1986, as amended, for use by CPCFA to issue bonds or other obligations in a manner consistent with CDLAC’s policies and procedures. Accordingly, capitalized terms not otherwise defined shall have the meanings ascribed to them in the “Procedures of the California Debt Limit Allocation Committee Implementing the Allocation of State Ceiling on Private Activity Bonds” (“CDLAC Procedures”); and

WHEREAS, it is appropriate for CPCFA to confirm the use of a portion of the 2009 State Ceiling on Qualified Private Activity Bonds allocated to CPCFA (“CPCFA Allocation”) to the issuance of the Note as set forth in the Final Resolution;

NOW, THEREFORE, CPCFA resolves as follows:

Section 1. CPCFA Allocation in the amount of \$6,584,000 is hereby dedicated to the issuance of the Note. The dedicated CPCFA Allocation may be used only by the Project Sponsor and only for the issuance of Bonds for the Project, as specifically described in Exhibit A, and consistent with the terms of the Final Resolution. All of the terms and conditions of Exhibit A, and the Final Resolution are incorporated herein as though set forth in full (this resolution, the Final Resolution and Exhibit A, collectively “Resolution”).

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Note, and the Project Sponsor and all its respective successors and assignees, will be bound by such terms and conditions.

Section 3. Any modification to the Project made prior to the issuance of the Note must be reported to the Executive Director and shall require reconsideration by the CPCFA before the Allocation may be used for the Project.

Section 4. The CPCFA Allocation dedicated by this Resolution shall automatically revert to CPCFA unless the Note for the Project has been issued by CPCFA by the close of business on **December 31, 2012**. In a case of extreme hardship, the Deputy Executive Director or the Executive Director may extend this date by up to thirty (30) business days.

Section 5. Within twenty-four (24) hours of issuing the Bonds, CPCFA shall notify CDLAC via the email or the fax number as provided in Section 5140 of the CDLAC Regulations that the Bonds have been issued. This notice shall identify the Project Sponsor, the project or program, the date and amount of the Note issued.

Section 6. Within fifteen (15) calendar days of the Note closing, CPCFA or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting the appropriate completed Report of Action Taken in a form prescribed by and made available by CDLAC.

Section 7. Any differences between the amount of Bonds issued and the amount of the CPCFA Allocation dedicated in Section 1 of this Resolution shall automatically revert to CPCFA. If at any time prior to the expiration date set forth in Section 4 hereof the Project Sponsor determines that part or all of the CPCFA Allocation dedicated in Section 1 of this Resolution will not be required by the Project by that date, the Project Sponsor shall promptly give notice to CPCFA.

Section 8. In consideration of the CPCFA Allocation dedicated in Section 1 of this resolution, the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Note. Further, the Project Sponsor expressly agrees that the terms and conditions of this Resolution may be enforced by CDLAC or CPCFA through an action for specific performance or any other available remedy, provided however, that CDLAC and CPCFA agree not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, CPCFA shall ensure that the Bond documents, as appropriate, expressly provide that CDLAC is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 9. The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by CDLAC or CPCFA.

Section 10. This Resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 09-136-09
(AN EXEMPT FACILITY PROJECT)
EXHIBIT A

1. Project Sponsor: NASA Services, Inc., and/or its Affiliates
2. Application #: 858 (SB)
3. Project User: NASA Services, Inc. and/or its Affiliates
4. Project Name: NASA Services, Inc, and/or its Affiliates
5. Location: Cities of Montebello and Pico Rivera (Los Angeles County)
6. Private Placement Purchaser: First California Bank
7. The Credit Enhancement Provider/Private Placement Purchaser at the time of issuance will be the same as represented in the application.
8. Amount of Allocation: \$6,584,000